



Control Number: 51415



Item Number: 440

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SOAH DOCKET NO. 423-21-0538
PUC DOCKET NO. 51415

2021 MAY -5 PM 2:31

APPLICATION OF SOUTHWESTERN
ELECTRIC POWER COMPANY FOR
AUTHORITY TO CHANGE RATES

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BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE HEARINGS

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO OFFICE OF
PUBLIC UTILITY COUNSEL'S TWELFTH REQUEST FOR INFORMATION**

MAY 5, 2021

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Question No. OPUC 12-1:

Please refer to the Rebuttal Testimony of Mr. Michael Baird, Exhibit MAB-2R. Please provide a detailed explanation of the changes in each of the line items included in this exhibit when compared to the original Rate Filing Package, W/P Schedule B-1.5.17.1. Please include the date on which the Company became aware of the changes in the Accumulated Deferred Federal Income Tax ("ADFIT") balances that are reported as Texas Unprotected Excess ADFIT and those reported as Texas Protected Excess ADFIT.

Response No. OPUC 12-1:

The Company became aware of the changes that increase Texas jurisdictional excess accumulated deferred income taxes after reviewing the direct testimony of Staff witness Ruth Stark. Please see the rebuttal testimony of SWEPCO witness David Hodgson for the revised excess ADFIT balances and see also the following table that provides the changes addressed through rebuttal including a brief explanation:

Item	Original	Rebuttal	Explanation
Texas Unprotected (w/o Gross-up)	\$17,337,163	\$23,446,303	Updated Allocations
Gross Up Factor	1.326634	1.265823	Remove State Taxes
Texas Protected (w/ Gross-up)	\$7,408,575	\$9,295,525	Updated Allocations
Texas Retail Allocations	36.94%	35.01%	Changed to Docket No. 46449, which is factor when federal tax rate changed.

Prepared By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Prepared By: David A. Hodgson

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Question No. OPUC 12-2:

Please refer to the Rebuttal Testimony of Mr. Baird, Exhibit MAB-2R. Please provide a detailed explanation of the changes to the Gross Up factor and the Texas Retail Allocation factor from those used in the Company's original Rate Filing Package, W/P Schedule B-1.5.17.1.

Response No. OPUC 12-2:

The original gross-up factor was a SWEPCO total system gross-up factor and inadvertently included state income taxes that are not applicable to Texas. The revised gross-up factor properly includes only federal income taxes. The original allocation factor was from this case and the revised allocation factor is from Docket No. 46449. It is proper to use the Docket No. 46449 allocation factor because it is the allocation factor at the time the Tax Cuts and Jobs Act went into effect.

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Question No. OPUC 12-3:

Please refer to the Rebuttal Testimony of Mr. Baird, Exhibit MAB-2R. Please provide an explanation as to why the Company chose not to file an errata to the Rate Filing Package, W/P Schedule B-1.5-17.1 once the new ADFIT balances were known.

Response No. OPUC 12-3:

The Company did not file an errata because the issue was found after reviewing Staff's direct testimony in this case. The Company appropriately acknowledged in the rebuttal testimony of David Hodgson that it was increasing excess accumulated deferred income taxes.

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Question No. OPUC 12-4:

Please refer to the Rebuttal Testimony of Mr. Baird, page 5. Please confirm or deny that the Company has updated all schedules and workpapers to reflect changes in the ADFIT balances included on Exhibit MAB-2R. If confirm, please provide the reference to the updated schedules and workpapers.

Response No. OPUC 12-4:

The company has not updated all schedules and workpapers to reflect the changes in the ADFIT balances. The Company has updated selected schedules from the original application package as needed to estimate the impact of the change. The Company updated its jurisdictional cost of service (Schedule P-1) for this item, along with other revisions made as a result of reviewing the various pieces of Staff and intervenor testimony filed in this case. See the rebuttal testimony of SWEPCO witness Aaron for the updated jurisdictional cost of service study.

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Question No. OPUC 12-5:

Please refer to the Rebuttal Testimony of Mr. Baird, page 22. Please explain how SWEPCO would double recover the investment in the Oxbow Mine if the reserves are no longer billed through the fuel clause. Please include a detailed description of the fuel components currently included in the fuel factor that relate to Oxbow Mine billings to SWEPCO.

Response No. OPUC 12-5:

The double recovery would occur if the Oxbow reserve expense is included in fuel consistent with past treatment and included in amortization expense as proposed by OPUC and included in base rates in this case. The fuel components currently included in the fuel factor relating to Oxbow Mine billings to SWEPCO include land lease costs, amortization of mining rights, Right of Way amortization and Advance Royalty Amortization. All of the costs relate to land and land rights component of the fuel costs for the Dolet Hills Power Station.

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